

Report

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Report to: **Finance and Information Technology Resources Committee**
 Date of Meeting: **22 November 2011**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Insurance and Claims Handling Contracts Renewal 2012/2013 – 2013/2014**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on the renewal of the Council's main insurance policies for 2012/2013 -2013/2014.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the action taken by the Executive Director (Finance and Corporate Resources), in terms of section 14.2 of the Council's Standing Orders on Contracts, to extend the Council's main insurance policies with Risk Management Partners (RMP) and Chartis Insurance (formally known as AIG Insurance), as well as the associated claims handling agreement with Gallagher Bassett, for a period of two years from 1 April 2012 to 31 March 2014 be noted
- (2) note the 6.8 per cent savings achieved by extending the current insurance contracts

3. Background

3.1. Following an OJEU tender exercise in November 2008, the main insurance policies shown in table one below were placed. The award of these contracts was noted at the Finance and IT Resources Committee on 3 March 2009.

Table One – Existing Insurance Policies

Insurance class	Current provider	Contract duration
Combined liability/motor and claims handling	RMP/Chartis and Gallagher Bassett (claims handlers)	<ul style="list-style-type: none"> • Three year contract, from 1 April 2009 to 31 March 2012 • Option to extend for two years to 31 March 2014
Property, terrorism and associated policies (3.2 below provides further information on terrorism cover)	RMP/Chartis	<ul style="list-style-type: none"> • Three year contract, from 1 April 2009 to 31 March 2012 • Option to extend for two years to 31 March 2014
Fidelity Guarantee	RMP/Chartis	<ul style="list-style-type: none"> • Three year contract, from 1 April 2009 to 31 March 2012 • Option to extend for two years to 31 March 2014

Travel (education excursions/business travel)	ACE Europe	• Five year contract, from 1 April 2009 to 31 March 2014
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3.2. As part of the 2011/12 insurance programme review, terrorism cover was removed from the RMP programme. As of 1 April 2011, terrorism insurance for a limited number of high value properties was placed with Lloyd's Insurance on a rolling year on year contract. Therefore, terrorism cover no longer forms part of the decision whether or not to extend the existing contract with RMP/Chartis. Terrorism renewal terms will be sought from the existing provider closer to the renewal date.

3.3. Travel insurance will be renewed as a matter of course with ACE Europe under the existing five year contract.

4. Renewal Terms Offered

4.1. Following submission of strategic risk exposure information, RMP provided renewal terms to extend the existing main insurance policies for a 2 year period.

4.2. The extension proposals from RMP offered a global discount, which represents a real terms saving of 6.8 per cent saving on the 2011/12 expiring premium and a 4.4 per cent reduction on the actual premiums paid last year, when the Council had lower sums insured.

5. Options Appraisal

5.1. Following receipt of renewal terms, option appraisals were conducted to look at the costs, benefits and risks of extending the current contract with RMP/Chartis against carrying out a full OJEU tender exercise.

5.2. The evaluation concluded that an extension to the current contract was the most favourable option for the Council, as the risks involved are of a low level, and the benefits to be gained are of a medium level. The evaluation for the full tender exercise indicated greater risk and fewer benefits.

5.3. Independent insurance broker advice from Willis validated the outcome of the Council's option appraisal.

5.4. Clause 14.2 of the Council's Standing Orders on Contracts allows for an Executive Director to authorise an extension to an OJEU contract, provided provision for an extension was made when the contract was awarded. The contract awarded in 2009 made this provision. Any extension is subject to securing best value.

5.5. The existing provider has offered a significant package discount for the next two years, along with comprehensive policy covers and has consistently delivered a high quality services in terms of claims handling and risk management services. The offer clearly provides best value for the Council and price certainty for the next two years.

5.6. Having considered the detail of the option appraisal the Executive Director (Finance and Corporate Resources) has authorised an extension to the existing contracts with RMP/Chartis and Gallagher Bassett, as detailed in table one for a further two year period, from 1 April 2012 to 31 March 2014.

5.7. The Finance and Information Technology Resources Committee is asked to note that the contracts for the Council's main insurance policies have been extended and note the level of savings achieved by extending the contracts.

6. Employee Implications

6.1. The central risk management team will conduct, in conjunction with Willis Ltd, the full extension process.

7. Financial implications

7.1. The 6.8 percent discount equates to approximately £82k resulting in an annual premium totalling approximately £1.188m. The cost of insurance premiums and claims handling fees for the forthcoming years, 2012/13 and 2013/14 will be met from the Council's self insurance fund.

7.2. Premiums may vary slightly, as a result of any changes in insured values prior to renewal. This will be most likely to affect property and contract works premiums.

8. Other Implications

8.1. The main risk identified with extending the current contract relates to the level of savings achieved or the levels of service currently provided under the current contract. This risk has been assessed as low and is mitigated by the following points:

- Significant discount offered by existing provider
- No guarantee that the same or better levels of savings would be achieved through a tender exercise, with some insurance markets seeing increases
- The scope for further savings is likely to be diminishing, given the level of savings achieved during the last tender exercise
- Limited market. Recent tender exercises carried out by brokers have not identified any new market entrants
- High levels of service provided by existing provider
- Independent broker and central procurement approval to extend existing contracts on terms offered

8.2. There are no implications for sustainability in terms of the information contained in this report.

9. Equality Impact Assessment and Consultation Arrangements

9.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report, but company approaches to equalities were taken account of as part of the original tender evaluation.

9.2. Consultation has taken place with Willis Ltd and central procurement, who concur with the recommendations detailed in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

31 October 2011

Link(s) to Council Values/Improvement Themes/Objectives

- ◆ Values: Accountable, effective and efficient.

Previous References

- ◆ Report to Finance and Information Technology Resources Committee, 3 March 2009, Insurance and claims handling contracts tender exercise 2009/2010

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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